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SUBJECT: A WORLD BANK-LED CONSORTIUM FOR PAKISTAN'S AFGHAN BORDER REGION

11. (U) This is an action request, please see para 14.

12. (SBU) Summary and Introduction: Embassy recommends the establishment of a World Bank consortium to coordinate and expand donor activities focused on areas along Pakistan's border with Afghanistan. Stabilization of this border area is vital to U.S. security interests in the region. To state the obvious militants are launching cross-border attacks against U.S./Coalition forces in Afghanistan and fueling the growing "talibanization" of Pakistan.

13. (SBU) The needs of this isolated and developmentally neglected area are massive; it includes the Federally Administered Tribal Areas (FATA), the Northwest Frontier Province (NWFP) and Balochistan Province. The U.S. has begun to implement a five year USD 750 million development program for the FATA, but we cannot tackle the comprehensive challenges of this area alone. Our efforts at donor coordination have had, at best, minimal success. Existing donors note a need for increased resources, particularly for infrastructure. Current government and NGO activities are unfocused, and security concerns make some potential donors reluctant to participate. We need a mechanism to coordinate donor activities, including those of NATO, the UN and the G8. We need to avoid duplicate activities, better elicit and leverage contributions, and give the Government of Pakistan a single outlet for donor coordination.

14. (SBU) Post believes that the World Bank is the most qualified institution to perform a donor coordination role, given its experience worldwide in managing donor coordination, as well as its staffing resources and project design expertise. Post proposes that Washington approach the World Bank to request that it begin consultations to establish: (1) a multi-donor consortium that would have dedicated staff to coordinate donor efforts and funding, and to encourage increased participation by donor countries; (2) a Project Unit (PU) with dedicated staff to identify, design and implement projects for the border areas as needed, with a particular focus on urgent priorities such as infrastructure; and (3) a mechanism such as a trust fund or other arrangement to allow donor countries who do not want to have a presence in the border region to contribute to the activities of the Project Unit. End Summary and Introduction.

UNCOORDINATED DONOR PROGRAMS

15. (SBU) The region along Pakistan's border with Afghanistan provides safe haven for terrorists launching a growing number of cross-border attacks against U.S./coalition forces. It also serves

as a breeding ground for the spread of extremism and creeping "talibanization" of Pakistan's settled areas into the Northwest Frontier Province (NWFP) and Balochistan. Success in countering terrorism and the insurgency in these border areas will require a long-term commitment and an infusion of resources, both monetary and staffing, to change the lives of Pakistani citizens and make the border areas inhospitable to terrorists.

¶6. (SBU) While the U.S., European Union, United Nations, NATO, G8 and individual donor countries all want to achieve measurable results in the fight against extremism, none of us have succeeded in coordinating activities on the ground. Other donor countries want to contribute financially to these efforts but need a "cover" to do so since security concerns prevent many from deploying personnel in these precarious regions.

¶7. (SBU) Despite some coordination efforts, contributions to date remain unfocused. The GOP held a border donor coordination meeting in Islamabad on the margins of the April 2007 Pakistan Development Forum and on the margins of the World Bank annual meetings in Singapore in 2006 and in Washington in 2007. These meetings were largely held at U.S. insistence but resulted in neither GOP ownership of the issue nor greater donor synchronization. Pakistan's current fragile coalition government is incapable of undertaking this coordination effort. As the militants steadily gain ground, we are losing precious time in this fight to win hearts and minds in the border areas.

¶8. (SBU) The U.S. has made a down payment towards this fight with our five-year USD 750 million FATA Development Program (FDP), which focuses on increasing incomes, teaching employable skills,

ISLAMABAD 00002135 002 OF 003

revitalizing community infrastructure, supporting local commercial growth, and addressing critical primary health and basic education needs. The FDP will address many of the soft economic needs of the border areas, particularly in the FATA, but it does not address the infrastructure or poverty alleviation needs of the broader border region, particularly the NWFP or Balochistan. These areas also need soft assistance to provide livelihoods, skills development and literacy. Only through the long-term process of improving the quality of life for residents of Pakistan's western frontier can we expect to stabilize the area.

WORLD BANK DONOR CONSORTIUM

¶9. (SBU) We need a mechanism to coordinate donor activities, including those of NATO, UN and the G8, to avoid duplicate activities, better leverage donor funds, and give the GOP a single outlet for donor coordination. Given its staffing resources and project design expertise, Post believes that the World Bank is the most qualified institution to serve as the umbrella for coordinating the initiatives in Pakistan's border regions. By serving as the principal liaison between the GOP and donors, the World Bank would ensure that contributions and program plans of the individual donors mesh. The Consortium would be co-chaired by the World Bank and the Government of Pakistan.

PROJECT UNIT

¶10. (SBU) The Bank could form and staff a project unit (PU) charged with developing, managing and implementing project designs for the border areas. The PU would develop a regional strategy to guide its work, which would identify priorities for projects in the western border region. We suggest that infrastructure would be one of the initial priorities of the PU because it is urgently required throughout the region. Donors could choose to undertake project implementation themselves, or to provide funds to a joint funding mechanism (described below) for projects to be implemented through the PU.

¶11. (SBU) Funding for the PU could be provided by each donor in the form of money and/or staff. The PU would in turn be managed by a donor coordination group composed of representatives of the

participating donors and the Government of Pakistan.

MECHANISM FOR DONOR CONTRIBUTIONS

¶12. (SBU) The Bank's project design and coordination function should be complemented by a fund to capture donations from countries willing to contribute to jointly-funded projects for developing the border. This could be modeled on a number of similar arrangements worldwide, including elements of the Afghan Reconstruction Trust Fund.

¶13. (SBU) Funding priorities for activities would be decided by the World Bank with input from the GOP and donors, who would have the option to earmark funds for specific priority areas. This initiative would strengthen overall coordination among donors and would address many donors' unwillingness to provide personnel or resources in a tentative security environment. Having the World Bank administer the funding arrangement would also provide assurances to donors against corruption and mismanagement.

¶14. (SBU) Action Request: Post requests that Washington principals engage with counterparts at the World Bank to propose this concept. If there is sufficient interest, we can organize a follow-up donor meeting with the GOP. Pakistani national and regional agencies have already conducted discussions about the need for enhanced investment in the area. There also exist, in various stages of development, project proposals and feasibility studies that should be reviewed and evaluated for inclusion in the proposed plans of the coordinating mechanism. End action request.

¶15. (SBU) Comment: During informal FATA donor meetings in Islamabad, the Japanese, UK and Canadian Missions have expressed interest in this concept. Both the UK and the Canadians feel the Asian Development Bank is best situated to coordinate and manage the

ISLAMABAD 00002135 003 OF 003

effort. However, given the experience of the World Bank in managing donor coordination, including their administration of the Afghan Reconstruction Trust Fund across the border, post believes the World Bank is best equipped to lead and manage this initiative. End comment.

PATTERSON